

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – SEPTEMBER 26, 2002

PRESENT: Chairman John Byrne and Commissioners Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; Aidan Moore, Chief of Enforcement

EXCUSED: George Tsiopras, Chief Accountant

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending September 22, 2002 shows retail sales were down –3.08%, on-premise sales were up 10.55%, off-premise sales were down around –3.1%, and total aggregate sales were up .4%. The traffic count increased by 3,171, as did the average sales ticket by \$2.02.

The W-1 Total Weekly Sales report for last week confirms total sales were up .4% or \$24,358 for the week, and were up for the year by 5.98% or \$4,801,649. Wine sales increased for the week by 5.11% or \$129,933, as they did by 11.24% or \$3,729,371 for the year. Sales of spirits were down a little over –3% or (\$105,574), but were up year-to-date by 2.29% or \$1,076,915.

B. Budget Reports:

The \$396 shown under July on the latest outstanding depletions and post-off's report has actually been paid, and the \$24,000 under the June column is not really due until the end of the month.

The current W-6 Expense Budget Activity Variance Report shows the year to be at 23.56% complete, with actual agency expenditures at around 26%. There was nothing of significance to report.

Two contracts and the request for relocation monies were approved at yesterday's Governor and Council meeting with no questions asked.

The Law contract addendum regarding moving on-premise inventory to Law is almost completed, and should be presented to the Commission within the next several days.

Craig reported that the announced fire drill which took place last week went fairly smoothly. He suggested that an unannounced drill take place at some future time.

Jerry Janicki from the NABCA will be here for a meeting concerning electronic filing next Monday, September 30 at 9:00 a.m. in the downstairs conference room. Howard, Nicole, Rick and Craig will attend. In addition, the three Commissioners have been invited, and two wine brokers will be invited as well.

The FY02 financials are now over at Financial Reporting, and the FY04-05 budget will be sent over to Administrative Services today. The Commission and bureau chiefs will receive copies.

The auditors have arrived and will be here for about two weeks stationed in the 2nd floor conference room.

Chairman Byrne asked for the monthly financial reports for July and August 2002.

2. IT Report

Howard reported that everything looks good for the conversion scheduled for next Tuesday morning around 7:00 a.m. Hopefully, everything will be completed by noon time so Mapper can be accessed in the afternoon. He does not anticipate any significant problems, but cautioned that there are bound to be some glitches.

Store e-mail is back in operation, and recent problems appear to have been resolved there. Craig asked anyone who receives inappropriate e-mail to forward it to Howard or Paul Kinney so the site can be blocked.

Howard sent out a memo listing all one-part reports which will no longer be printed, but can be accessed by using COOL.

II. MARKETING & SALES REPORTS

1. Store Operations

According to the current W-8 Sales Analysis by Location report, retail sales for the week ending 9/22/02 were up by .26% or \$12,547.64. Michael Lafond will look at Store #41 Seabrook to determine why sales there are flat.

Store #21 Peterborough reopened last Friday. Work on the beams will be completed tonight. Next Tuesday masons will be there to fix the warehouse portion of the store. All work should be finished by the end of next week.

The Volkswagen beetle, featured during the “Summer of Savings” sweepstakes, will be presented to the winner, Joanne Brown of Manchester, New Hampshire, tomorrow at Merchant Motors. Chairman Byrne asked that this event be put in the Union Leader.

2. Warehouse Report

John Bunnell noted that inventory at the Concord warehouse is down considerably.

3. Purchasing Report

Regarding out-of-stocks, Nicole is working with vendors on some of the products being featured during the Australian wine sale, two of which were just received this morning.

4. Merchandising Report

A. SPIRITS:

1) Thanksgiving Sale:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve thirty-eight (38) spirit and wine products to be featured on sale during the Thanksgiving Sale, scheduled for the period Thursday, November 11 through Sunday, November 24, 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Value November Price Increases:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission accept price increases for two special value brands, Code #3489, Tangueray Gin, 1.75L size, and Code #8202, Sambuca Romana, 750ML size, to become effective in November 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Appeal Xmas Items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant an appeal from United Beverages, Inc. to purchase Mr. Boston Egg Nog, 750ML size (assigned four-digit Code #1034), which will be included as a seasonal, one-time buy as a Christmas item, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Test Market Products:

a. Test Market Request (Coyopa Rum):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Sidney Frank Co. for a new test market listing for Coyopa Rum, 750ML size (assigned four-digit Code #4288), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Smirnoff Green Apple Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America for a new test market listing for Smirnoff Green Apple Vodka, 750ML size (assigned four-digit Code #3877), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Guyot Crème de Casis):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Kobrand Corporation for a new test market listing for Guyot Crème de Casis, 750ML size (assigned four-digit Code #7808), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (Fruja Raspberry, Tangerine & Mango):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United

Beverages, Inc./Allied Domecq USA for new test market listings for the following three (3) 750ML size flavored liqueurs, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Fruja Raspberry (assigned four-digit Code #5120); Fruja Tangerine (assigned four-digit Code #5121); and Fruja Mango (assigned four-digit Code #5122) . The motion was unanimously adopted.

e. Test Market Request (Trader Vic's Coffee Liqueur):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Sea Breeze Cellars for a new test market listing for Trader Vic's Coffee Liqueur, 750ML size (assigned four-digit Code #5135), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Test Market Request (Trader Vic's Macadamia Nut):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Sea Breeze Cellars for a new test market listing for Trader Vic's Macadamia Nut Liqueur, 750ML size (assigned four-digit Code #5145), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Test Market Request (Trader Vic's Authentic Dark Rum):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Sea Breeze Cellars for a new test market listing for Trader Vic's Authentic Dark Rum, 750ML size (assigned four-digit Code #4304), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

h. Test Market Requests (Trader Vic's Coconut, Pineapple, Orange and Banana flavored rums):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Sea Breeze Cellars for new test market listings for Trader Vic's Coconut Rum, 750ML size (assigned four-digit Code #5519) and Trader Vic's Pineapple Rum, 750ML size (assigned four-digit Code #5517), but not

grant test market listings for Trader Vic's Orange Rum or Trader Vic's Banana Rum at this time, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

i. Test Market Request (Tomatin 12-Year Old Single Malt):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Sea Breeze Cellars for a new test market listing for Tomatin 12-Year Old Single Malt Scotch Whiskey, 750ML size (assigned four-digit Code #1383), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

j. Test Market Recommendation (Sea Wynde Rum):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant a specialty listing to Code #4260, Sea Wynde Rum, 750ML size, which exceeded the gross profit required for specialty status during a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) One Time Purchases:

a. One Time Purchase (Baileys Irish Cream, 200ML):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny an offer from United Beverages, Inc./Diageo North America of a one-time buy of Baileys Irish Cream, 200ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. One-Time Allocation for Absolut:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands LLC of one-time buys of the Absolut 375ML Tri-Pack (assigned four-digit Code #8299) and the Absolut 50ML Tri-Pack (assigned four-digit Code #8297), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. One-Time Allocation for DeKuyper:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands LLC of a one-time buy of the DeKuyper Winter Sampler Pack, 375ML (assigned four-digit Code #5716), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Single Malt Program (Bowmore):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company to conduct the Bowmore Family of Single Malt program from Monday, November 11 through Thursday, January 2, 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) November Special Offers:

a. 1 item – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Martignetti Companies of N.H., based upon depletions of one (1) spirit item, to be featured on sale during November 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 1 item – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from United Beverages, Inc., based upon depletions of one (1) spirit item, to be featured on sale during November 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Highland Games Scotch Sale:

Results of the Highland Games Scotch Sale, which took place from Thursday, September 5 through Sunday, September 15, show sales were up from last year's sale by 75%. Chivas Regal and Dewars experienced the largest case sale increases.

B. WINES:

1) New Wine Product Listing (general distribution – Code #19509):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the general distribution of Code #19509, Cabernet Sauvignon Geyser Peak Reserve Sonoma, 750ML size, as this item has earned a gross profit of at least \$6,500 during a twelve-month period, a majority of which have been in the retail and on-premise markets, to be initially distributed to Cluster and 2 stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for the Month of November 2002:

a. 96 items – United Beverages, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of ninety-six (96) wine items, to be featured on sale during November 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 42 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of forty-two (42) wine items, to be featured on sale during November 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 51 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of fifty-one (51) wine items, to be featured on sale during November 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 117 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred and seventeen (117) wine items, to be featured on sale during November 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 27 items – Horizon Beverage Company (Nov.-March):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon special purchase and depletions of twenty-seven (27) wine items, to be featured on sale from November 2002 through March 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Proposed Wine Sales for First Quarter of 2003:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission table proposed wine sales for the first quarter of the year 2003 (January, February, March and April), as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Stimson Lane Holiday Program “Build Your Own Wine Cellar” Sweepstakes:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc., on behalf of Stimson-Lane, to conduct a Stimson Lane Holiday Program “Build Your Own Wine Cellar” sweepstakes featuring Chateau Ste. Michelle and Columbia Crest varietals, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Recommended Wine Specialty Products:

- a. 5 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve five (5) wine codes to be

designated as wine specialty products and carried in wine special stores only, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 43 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve forty-three (43) wine codes to be designated as wine specialty products and carried in wine specialty stores only, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Not Recommended – Allocations for Distribution to Selected Stores:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny submittals of two (2) wine codes to be allocated products for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated and Restricted Wines for Distribution to Selected Stores:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the approve eleven (11) wine codes as allocated and restricted wines for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Primary Source Submissions (2 items – primary source; 9 items – exclusive agent; 6 items – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source, nine (9) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and six (6) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve previously reviewed requests for bailment releases/transfers dated September 20 through September 26, 2002. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve previously reviewed coupon (pad, necker and consumer offer) requests for the month of October 2002. The motion was unanimously adopted.

3. Late Items: None.

John W. Byrne, Chairman

Anthony C. Maiola, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

